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PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES

Second Industrial Development Decade for Africa

Report by the Director-General

Summary

Updates and supplements information provided in document IDB.19/5 on the IDDA programme framework and on areas addressed in General Conference resolution GC.7/Res.5 and Board decision IDB.17/Dec.4.

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For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

Abbreviations

AAI	Alliance for Africa's Industrialization
ADB	African Development Bank
ECA	Economic Commission for Africa
IDDA	Industrial Development Decade for Africa
LDC	least developed country
OAU	Organization of African Unity
SMI	small and medium industry
UNDP	United Nations Development Programme

Introduction

1. In the report of the Director-General to the Board at its nineteenth session (IDB.19/5), the programme framework for the Industrial Development Decade for Africa (IDDA) for the 1998-1999 biennium was presented. Highlighting policy guidelines provided in the Business Plan, the document showed how those guidelines would serve as benchmarks for the IDDA programme during the biennium. Specific areas covered in General Conference resolution GC.7/Res.5 and Board decision IDB.17/Dec.4 were also addressed. The present document should thus be considered in conjunction with document IDB.19/5.

I. PROGRAMME FRAMEWORK AND IMPLEMENTATION OF THE NEW UNIDO SERVICES

2. Within the programme framework for 1998-1999 described in document IDB.19/5, further effort is being made to rationalize the use of IDDA resources to achieve greater impact in Africa, particularly in LDCs. In that respect, all new activities under development are designed in line with the new programmatic priorities of UNIDO. Within that context, it has been decided that:

(a) IDDA resources will be programmed to operate as seed money in the promotion of the new integrated package of UNIDO services and in the mobilization of additional donor funds for the implementation of the programmes so designed;

(b) Pilot countries will be identified on an equitable geographical basis for initial programme formulation using the new UNIDO products. In that connection, and as announced to the Board at its nineteenth session, the Director-General has initiated visits to a number of African countries and engaged in dialogue with African leaders to facilitate formulation of new policy guidelines for IDDA and related programmes and to ensure that the programmes lead to poverty alleviation and employment creation. During the first half of 1998, visits were undertaken to Algeria, Burkina Faso, Côte d'Ivoire, Kenya, Uganda and the United Republic of Tanzania, and similar missions are planned to Ghana, Guinea, Mali and Senegal before the end of the year.

3. The attendance of the Director-General at the thirty-fourth summit of Heads of State and Government of OAU at Ouagadougou facilitated first-hand experience in the nature of problems in the struggle for development—and particularly industrial development—confronting an African LDC. Burkina Faso is a land-locked country with scarce natural resources and insufficient infrastructure which is trying to develop its own industrial capacity to make use of existing potential and provide local employment.

4. Based on discussions with authorities in Burkina Faso, a multidisciplinary team was dispatched in July to assess the actual situation in greater depth. As a result, an integrated package of UNIDO services worth $3.9 million was formulated to enhance national capacities, especially micro and small-scale enterprises and their associations and institutes, with regard to investment and international partnerships, quality and standardization, pollution control (water safety) and food and textile manufacturing. By improving competitiveness, employment opportunities will be generated for the local population. While the main goal is to assist Burkina Faso in increasing the international competitiveness of its most significant industrial (sub)sectors, this intervention also demonstrates UNIDO's ability to assist Governments as well as private entrepreneurs in improving their capabilities and thereby their potential in solving internal economic problems and ultimately to find a better position in the world market. Moreover, the programme should pave the way for greater cooperation among various parts of the Secretariat in addressing interrelated industrial problems.

5. Practical arrangements for resource mobilization for the implementation of the package were concluded during a visit to Vienna of the Minister of Industry of Burkina Faso in August 1998. UNIDO has committed $500,000 from IDDA resources in support of the programme, and it is expected that other donors could also be mobilized with the help of the Government. In an effort towards clearing its arrears with UNIDO, Burkina Faso paid $16,549 towards its assessed contributions in August 1998.

II. FUNDS MOBILIZATION

6. Based on views expressed by various parties, including Member States and other organizations, the approach to the donors conference described in document IDB.19/5 has been substantially improved. A new concept has been developed for the conference, which will be called "Consultation Meeting on Industrial Partnership and Investment in Africa". The meeting is intended to address concerns broader than the mobilization of funds

alone. Incorporating all AAI objectives, the purpose is to initiate a series of partnerships between the international community and actors in the industrialization of Africa, incorporating partners from government, the private sector and civil society.

7. A portfolio of technical cooperation programmes and projects corresponding to the new UNIDO services will be presented at the meeting. The programmes will be prepared and circulated/negotiated with donors well in advance to ensure that firm or partial commitments (to be confirmed during the consultation meeting) are made. It is expected that the meeting will thereby facilitate a reasonable chance of attracting financing for those programmes. Consultations are now under way among the various partners, including ADB, ECA, OAU and UNDP, to decide on individual responsibilities to develop the programmes.

8. Another funds mobilization strategy under consideration is the establishment of a special fund for promoting growth and expansion of SMIs. Furthermore, the possibility is being examined of launching a venture capital fund under ADB leadership that would aim essentially at equity partnerships in agro-based small and medium industries. Illustrating the degree of coordination with ADB, consultations to date have included a UNIDO mission to ADB in May 1998, followed by an ADB mission to UNIDO to further elaborate the concept. ADB hosted another technical meeting in Abidjan in September, with a view to finalizing the approach and timing and for presentation to the AAI Steering Committee (15-18 September).

9. As a result of the meeting with ADB, some changes were introduced to the concept and approach of the Consultation Meeting. During the debate on the subject, the Steering Committee made the following recommendations:

(a) The concept should incorporate and emphasize the mobilization of domestic resources;

(b) A proposed venture capital fund was an important part of the strategy. Therefore, its formulation should not suffer unnecessary delays;

(c) The funds mobilization missions should involve locally-represented donors as well as specialized funds;

(d) It is important to foresee and organize direct promotion of private investment partnerships;

(e) The meeting should take place in June or October 1999.

10. With the above recommendations, it was agreed that the concept would be further developed by UNIDO in close cooperation with ADB. To that end, an inter-agency meeting will be hosted by UNIDO in late November 1998, to which such partners as UNDP and the World Bank will be invited.

III. ALLIANCE FOR AFRICA'S INDUSTRIALIZATION STEERING COMMITTEE

11. In adopting the Declaration on Africa's Industrialization in June 1997 at Harare, African Heads of State and Government also resolved to establish a Patrons Group of Heads of State and Government as well as a Steering Committee for the Alliance. These measures bear testimony to the high priority attached to the industrialization of the continent by the highest African political leadership. While serving as a strong advocacy group for the cause of industry, both bodies aim at strengthening institutional arrangements to effectively render the Alliance operational. As the highest political and operational organ of the Alliance, the Steering Committee would provide guidance and assist in monitoring the implementation of the Action Plan at national, subregional and regional levels. It also aims at deepening African ownership of the Alliance.

12. Following wide consultation conducted by OAU with Member States, the Patrons Group and the Steering Committee were formed and announced during the thirty-fourth session of the Assembly of Heads of State and Government of OAU. It was subsequently decided that the Committee would hold its first meeting from 15 to 18 September 1998 at Abidjan. At that meeting, the Committee, *inter alia*, adopted its programme of work as well as a strong advocacy agenda for industry in Africa. Preparations for the consultation meeting (chap. II above) were also discussed and finalized.

13. The Steering Committee meeting was also used as an opportunity to convene an international symposium on the implications of the Asian crisis for African industrial and trade prospects, for which an issue paper was prepared. UNIDO secured the participation of key actors to participate in this event, including ADB, ECA, OAU, UNCTAD, UNDP and the World Bank, as well as private bankers and financial portfolio managers from Africa, Europe and North America. The presence of a few leading media resulted in coverage for *Africa Confidential*, the *Financial Times*, Reuters and others.

IV. ACTION REQUIRED OF THE BOARD

14. The Board may wish to take note of the information provided in the present document.